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NATIONAL INTELLIGENCE DAILY CABLE

Tuesday 20 December 1977 CG NIDC 77/294C

NATIONAL SECURITY INFORMATION
Unauthorized Disclosure Subject to Criminal Sanctions

Top Secret

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State Dept. review completed

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National Intelligence Daily Cable for Tuesday, 20 December 1977

The NID Cable is for the purpose of informing senior US officials.

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CONTENTS

25X1

FRANCE-MAURITANIA: Involvement Page 1

25X1

SPAIN-UK: Stalelated Negotiations Page 5

USSR-ITALY: Renegotiated Gas Prices Page 6

25X1

ARAB STATES: Reactions to Begin Page 7

NORTH KOREA: Economic Plan Page 9

BRIEFS Page 11

25X1

Australia

25X1

Bulgaria

Approved For Release 2007/03/06 : CIA-RDP79T00975A030400010112-9

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Approved For Release 2007/03/06 : CIA-RDP79T00975A030400010112-9

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FRANCE-MAURITANIA: Involvement

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[Redacted] //French combat aircraft [Redacted] may have taken part in the fighting against Polisario Front insurgents in Mauritania. According to a Polisario announcement on Sunday, French attacks on insurgent forces occurred on the day the Polisario announced its intention to release eight French hostages, whose capture earlier this year spurred increased French military involvement in Mauritania. The Polisario announcement is probably intended to embarrass the French and place them on the diplomatic defensive. Any air strikes may delay the release of the hostages. During the past week, guerrilla attacks in Northern Mauritania have become more frequent.//

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[Redacted] A Polisario spokesman said that French Jaguar fighters had bombed and strafed a Polisario unit last Wednesday and Thursday, killing dozens of insurgents and many Mauritanian

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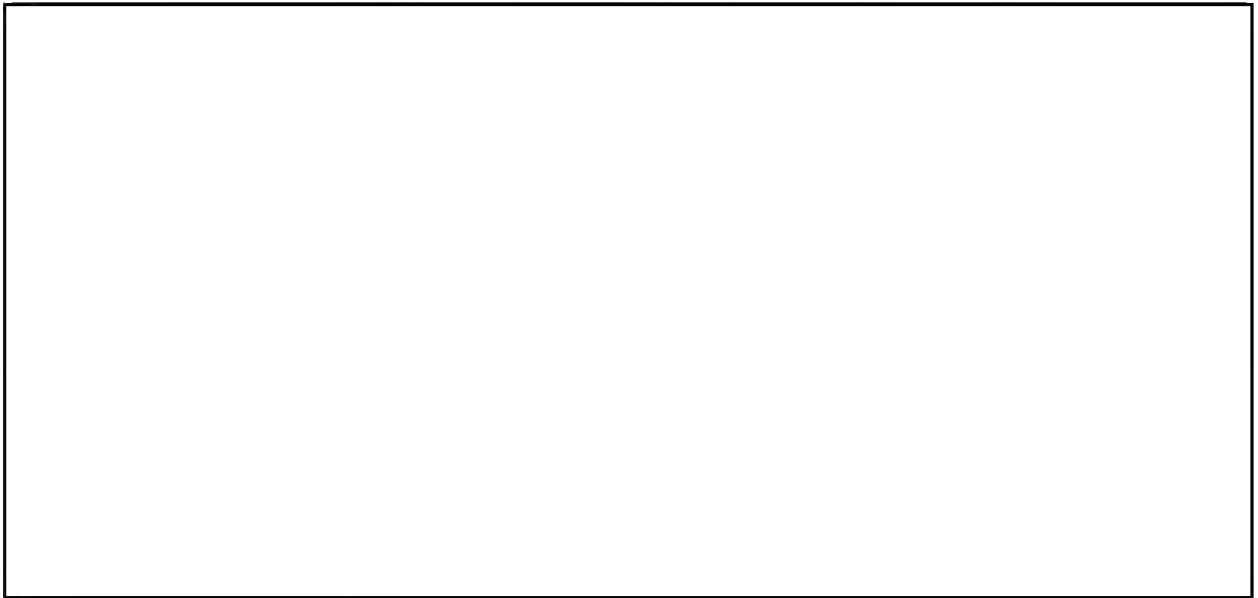
prisoners traveling with the force. The insurgents reportedly were withdrawing to their base camps after an attack on an iron ore train near Zouerat.

25X1 [redacted] //According to the spokesman, 28 French aircraft, including 24 Jaguars, participated in the attacks. This number is almost certainly too high [redacted]

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[redacted] The Jaguars may have flown several missions each, however, and could have been joined by Moroccan or Mauritanian aircraft.//

25X1 [redacted] Paris has for the first time refused to deny the Polisario's charges, thereby suggesting that the attacks probably did take place. Yesterday, a French Government spokesman merely repeated the official position that French aircraft are "liable" to be used to protect French nationals in Mauritania.



25X1 [redacted] //The Polisario Front has stepped up pressure on the Zouerat-Noudhibou railroad to prevent it from operating. The line carries iron ore--which provides 85 percent of Mauritania's foreign earnings--for shipment aboard. The attacks during the past week have resulted in many casualties on both sides, reflecting both the intensity of the fighting and the use of air power against the insurgents. Mauritania has few combat aircraft that are operational and must rely on others for air support.//

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Approved For Release 2007/03/06 : CIA-RDP79T00975A030400010112-9

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SPAIN-UK: Stalemated Negotiations

25X1 [REDACTED] *//Spain apparently will try to use the Soviet request for bunkering facilities in Algeciras to pry concessions from the British over Gibraltar.//*

25X1 [REDACTED] *//The Spanish Foreign Ministry specifically linked the two issues for the first time late last week. Pointing to pressure from a "Soviet lobby," a ministry official told the US Embassy that the UK must come up with a "breakthrough" on Gibraltar if it wants to counter the economically attractive Soviet request to use Algeciras.//*

25X1 [REDACTED] *//The official did not specify what he had in mind, but there are other indications that Madrid is looking for face-saving concessions that would allow the Spanish to lift their blockade of Gibraltar thus clearing the way for serious negotiations on its future. The official positions of the two countries have stalemated negotiations: the UK will not negotiate until the blockade is lifted, while Spain refuses to lift the blockade until negotiations are begun.//*

25X1 [REDACTED] *//Conceivably, Madrid has planned to link the Gibraltar and Algeciras issues all along, and their emergence at about the same time this fall may have been more than coincidence. Madrid has strong political and security reasons of its own for rejecting the Soviet request but may have played up the request, knowing that a possible Soviet presence close to Gibraltar would touch a raw British nerve.//*

25X1 [REDACTED] *//On the other hand, Madrid may simply be using Soviet pressure to see how much the Algeciras card is worth before making a final decision on the Soviet request.//*

25X1 [REDACTED] *//Spanish officials continue to maintain that no decision has been reached on Soviet bunkering facilities and imply that it will be delayed for some time.* [REDACTED]

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USSR-ITALY: Renegotiated Gas Prices

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[REDACTED] //Italy has acquiesced in Soviet demands for a sizable increase in payments for Soviet gas. In return, Moscow has promised--but is not committed--to purchase \$340 million in goods and services before 1980 from ENI, Italy's state-owned energy company. Moscow also apparently extended its commitment to deliver gas to Italy for an additional six years and promised Italy a share of any new agreements to supply gas to Western Europe. The new price accord was worked out in November, and Italian officials went to Moscow this week for the final signing.//

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[REDACTED] //ENI paid about \$19 per thousand cubic meters for Soviet gas in 1976, according to Soviet trade statistics. The new agreement apparently will boost the price to about \$45 per thousand cubic meters retroactive to mid-1977. This still compares favorably with the current standard West European price of about \$60 per thousand cubic meters.//

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[REDACTED] //The new agreement also establishes formulas tying future gas prices to fuel oil prices, assuring that Soviet gas earnings will rise with Western energy prices and that the gap between Soviet and Western gas prices will gradually narrow.//

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[REDACTED] Soviet gas deliveries to Italy began in 1974 and will amount to about 5 billion cubic meters this year. The volume is scheduled to increase to 7 billion cubic meters by 1980 and continue at that level until the year 2000--apparently a six-year extension of Moscow's original commitment.//

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[REDACTED] //The higher gas prices and scheduled increases in amounts delivered should increase the value of Soviet gas exports to Italy from \$69 million in 1976 to about \$300 million

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ARAB STATES: Reactions to Begin

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The initial Arab public reaction to press accounts of Israeli Prime Minister Begin's new proposals for home rule on the West Bank and Gaza has generally been negative. Arab

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commentators have complained that Begin's plan fails to deal with the nearly two million Palestinian refugees living outside of Israel and the occupied territories. The Arab press has also noted that the plan continues Israeli military presence on the West Bank and Israeli control over East Jerusalem.

25X1 [] Reaction in Egypt was cautious. An official spokesman said Egypt's first reaction was that the proposal did not tally with Sadat's concept of a settlement. Some Egyptian press reports indicated opposition to continued Israeli military presence on the West Bank and disappointment that the plan does not give the West Bank entity more attributes of a sovereign state. Other press reports said Egyptian officials were privately optimistic that Begin's proposals could serve as a basis for talks with Egyptian President Sadat on Sunday.

25X1 [] The state-owned radio station in Saudi Arabia said Begin's proposals were inadequate. It rejected continued Israeli sovereignty over East Jerusalem and said "there is no room for optimism."

25X1 [] In Syria, the state radio station rejected Begin's plan, claiming it "retains Israel's occupation. . .and ignores the rights of the Palestinians."

25X1 [] Jordan's Minister of Information announced that the proposal, as stated by Begin on US television, constitutes an attempt to perpetuate the occupation, not to end it. The semi-official Jordanian newspaper, *ad-Dustur*, said the proposal fell short of what the Arabs wanted, but it found some consolation in that Begin's ideas were not final and were subject to negotiation with Sadat.

25X1 [] All the major West Bank leaders rejected the plan as insufficient. West Bank leaders sympathetic to the Palestine Liberation Organization rejected the continued presence of Israeli settlements and troops on the West Bank. Moderate leaders, like Bethlehem mayor Frayj hoped there would be more to the plan than the details released by Begin, "but if that's all there is we reject it entirely."

25X1 [] There has been no immediate reaction from high-level Palestinian officials. The head of the PLO Information Bureau in Beirut, however, described the Begin proposal as "unacceptable" because it rejected "the right of the people of Palestine to form their own state under PLO leadership," and was designed

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to ensure the continuation of "Israeli occupation of the West Bank and Gaza Strip." Other Palestinian officials almost surely will adopt a similar stance.

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[] The Libyan Foreign Ministry published a statement attacking Begin's proposals as a plot to "liquidate the Palestinian revolution," and an official North Yemeni statement labeled the proposals "new obstacles to peace."

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[] Algeria called, in a broadcast over Algiers radio, for Sadat's resignation in light of Begin's proposals, which it described as inadequate.

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[] The Israeli press has reported that some members of Begin's Herut Party were disturbed by the Prime Minister's plan and irritated that they had not been fully briefed before Begin spoke on US television. Begin's willingness to renounce Israeli sovereignty over the West Bank may cause some Herut members to oppose the plan. In general, however, Israelis seemed optimistic about the results of Begin's trip to the US. []

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NORTH KOREA: Economic Plan

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[] *Recent changes in the North Korean leadership reflect in part the regime's desire to reinvigorate the country's lagging economy. The goals for the new seven-year economic plan (1978-1984) have been reduced, but some still appear unobtainable.*

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[] Three of the top seven officials in the administrative council are newly appointed, and about half of the 28 central government ministries and committees have new leaders. The appointments were announced last week at the first session of North Korea's newly elected legislative assembly.

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[] The new premier, Yi Chong-ok, is a veteran economic specialist who has a background in heavy industry. The two new vice premiers are Kang Song-san, a party specialist in transportation, and Kim Tu-yong, who has served in the Ministry of Public Security.

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[] Kye Ung-tae, the longtime foreign trade minister, is now the ranking vice premier, and he also has been moved up in party status. His promotion suggests that Pyongyang intends to continue to pursue economic contacts with the West and the Third World despite the regime's well-publicized inability to meet its foreign debt payments.

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[] President Kim Il-song's speech on 15 December revealed scanty details of the seven-year plan. Originally scheduled to begin this year, the plan was postponed to make economic "adjustments"--probably needed because of the delay in meeting the goals of the previous plan.

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[] North Korea first outlined its "ten prospective goals" in 1974, but several important industrial targets have been substantially reduced. Although the plan calls for more than doubling the present manufacturing output by 1984, it still indicates a significantly lower annual growth rate than in the past.

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[] Despite the lowered goals, some of North Korea's targets still appear to be out of reach. Imports of machinery, equipment, and technology necessary to meet the electric power, steel, cement, and fertilizer goals would require an outlay of from \$3 billion to \$4 billion. Considering Pyongyang's poor trade and payment record in recent years, it is doubtful that goods of this magnitude could be imported from any source. The grain and fishing targets, however, do appear to be within reach.

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[] The list of North Korean officials attending the assembly is arranged in an unorthodox manner that obscures the order of rank. Four top officials who failed to appear include the regime's leading ideologue and two military leaders, one of whom was removed in August as the chief of the general political bureau, which is responsible for political indoctrination in the armed forces.

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[] The reason for the apparent purge or demotion of these officials is not clear. There is no evidence, however, that the power or prestige of the military establishment has been diminished; three veteran military officers continue to be listed in the top echelon of the party.

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[] The legislative assembly did not address the succession issue. Kim Il-song is grooming his son, Kim Chong-il, as successor, but the regime has kept the 37-year-old son out of public view even though he has been given increasing responsibility in party and state affairs in recent years.

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BRIEFS

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Australia

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[REDACTED] //The new Australian cabinet announced by Prime Minister Fraser yesterday included former federal treasurer Lynch, who resigned during the election campaign last month as the result of allegations of questionable land dealings and income tax arrangements. The government insisted at the time that there was nothing improper in Lynch's conduct, but it was nevertheless concerned that the case would worsen what turned out to be a temporary downturn in its standing with the electorate.//

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[REDACTED] //Despite the magnitude of the Liberal-Country government's victory in the national election 10 days ago, Fraser--who has benefited from calling attention to the scandals of the previous Labor government--is anxious to avoid any hint of impropriety in his administration. Lynch has been appointed to head the less prestigious Ministry of Industry and Commerce, but he won the party vote for deputy parliamentary leader. John Howard, a Fraser intimate and party comer, who was appointed to succeed Lynch as treasurer during the campaign, was confirmed in that position in yesterday's announcement. Andrew Peacock was reappointed foreign minister. [REDACTED]

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Bulgaria

[] A Bulgarian Communist Party Central Committee plenum yesterday made long-anticipated changes in the party's leadership. The plenum elected a number of younger functionaries to the party's highest decision-making bodies and thus paved the way for the retirement of inactive elderly leaders.

[] Two of three new Politburo members, Foreign Minister Petur Mladenov and economic expert Ognyan Doynov, are in their early 40s. The election to the Politburo of Minister of Defense Dobri Dzhurov as a full member is likely to prepare the way for the departure of General Mikhaylov, an octogenarian.

[] Three new party secretaries elected by the plenum are directors of various Central Committee departments. Two of the new appointees, Dimitur Stanishev and Petur Dyulgerov, were

first brought into the party hierarchy last May at a plenum at which Boris Velchev, until then considered the number-two man in the regime, was ousted.

25X1 [] The personnel changes are not likely to alter the overall cast of the regime, but they will allow more second-level functionaries to move into the highest party organs. []

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